

Facilities Ad Hoc Staff Report

Chanate Hospital Building and Chanate Properties

Submitted by: Sonoma County General Services Department
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INTRODUCTION

At the March 18, 2014 Board of Supervisors meeting, the Chair ordered the formation of a Facilities Ad Hoc Committee to maximize the highest and best use of County facilities and systems while ensuring access to transit facilities, guiding the process of procuring, operating, and maintaining County facilities and real estate assets, and developing recommendations regarding the best short-and-long-term uses of County property on the Chanate campus.

To support and inform the work of the Facilities Ad Hoc, staff in General Services have conducted detailed assessments of the former hospital at 3325 Chanate Road and general assessments of the adjacent County-owned properties that house County programs providing health related services.

The Chanate campus which hosts County medical and health services programs, is comprised of approximately 82 acres of beautiful semi-wooded hills and valleys, bounded on the south by Paulin Creek. Adjacent to this property, the Sonoma County Water Agency holds title to a 26 acre parcel identified by the Agency as the Piner Creek Flood Control Reservoir and Agriculture Preservation and Open Space owns nine acres along Paulin Creek west of the medical complex.

The land held by the Water Agency and Ag & Open space is characterized by varied topography, including a wide, relatively flat area containing a flood control reservoir on the eastern portion, to steep hills and a narrow canyon where Paulin Creek descends below the reservoir's earthen dam and concrete spillway, working its way downstream and westward. The property is very scenic, with mixed oak and hardwood woodlands or open oak savannah on the canyon slopes and edges, overlooking riparian woodland, grassland and open water or wetland environments in the bottomlands. The reservoir detains much of the water entering the site, but allows outflows keeping the creek running throughout the year. Access is available from several service roads off Chanate Road, from the County medical complex, and from the surrounding residential areas at several locations. From these properties, the creek flows downslope through the County Government Center and westward, joins Piner Creek east of Fulton Road, then joins Santa Rosa Creek, the Laguna, and eventually joins the Russian River. Some walking trails and service roads currently can be accessed from abutting neighborhoods. Preliminary informal communications with Water Agency staff indicated that an access easement from Chanate Road to the Water Agency property would be desired. Informal discussions with Sonoma County Agricultural Preservation and Open Space District (Ag & Open Space) staff yielded the following key issues regarding their nine acres of land: retention of acreage, watershed and public access.

The Chanate campus is located on a major collector road and public transportation route (Chanate Road), with potential access to open space (Water Agency, Ag & Open Space), proximity to schools in the adjacent Hidden Valley neighborhood, and proximity to commercial businesses, services, and jobs on nearby Mendocino Avenue. Access to Highway 101 and a major regional shopping center is within five minutes' drive.

Significant utility infrastructure has served the hospital site. The value of the property is enhanced by the water, sewer, and CFIF credits associated with the property.

THE CHANATE PROPERTIES - BACKGROUND AND FINDINGS

Staff approached the analysis of highest and best use of the hospital facility and Chanate properties on several concurrent tracks:

- Technical assessment and analysis (what do we have and what is it worth)
- Repurposing process and options
- Potential interim use of the former hospital

History – County Use of the Chanate Properties

Approximately 82 acres of County owned property along both sides of Chanate Road have long been put to use serving the community's health and medical needs. The County purchased the property, a working farm, in 1874. Hillcrest County Hospital (originally called Sonoma County Infirmary) was founded in 1876 on this property south of Chanate Road (formerly Sonoma County Road). Infirm and impoverished citizens were residents. These residents grew most of their own food and the facility was largely self-sufficient. In association with the County Hospital and farm, the Old County Cemetery was established in 1878 just west of the current Norton Behavioral Health Center.

In 1936, a new County Hospital was built on the north side of Chanate Road to replace the Hillcrest County Hospital and farm. (For a time the old Hillcrest County Hospital building became a geriatric center; the building no longer exists.) In 1939, Oak Knoll Sanitarium (now Norton Behavioral Health Center) was built on the south side of Chanate Road, for treatment of tuberculosis patients. Both these buildings were funded in large part by the federal Public Works Administration, one of the New Deal programs launched by President Franklin D. Roosevelt in 1933.

The County medical complex expanded over the years to meet demands. On the north side of Chanate Road, just east of the County Hospital, Chanate Hall was constructed in 1946 as a dormitory for nursing staff. The original 1936 County Hospital received building additions in 1956 (2 story and kitchen/cafeteria), 1972 (4 stories), and 2000-2004 Cath Lab. Other minor support buildings were added over the years. To the west of the hospital, the Health Services Administration building was built in 1952, and currently also houses the Public Health Lab. The County leased the hospital buildings to Sutter Health in 1996. At the end of 2014, Sutter Health vacated the buildings and relocated to a new facility they built further north, near Highway 101 and Mark West Springs Road. The County former hospital buildings are currently vacant.

On the south side of Chanate Road, several of the old farm buildings were used in the 1950's as Hillcrest Detention Home for juveniles. The 1936 Hospital Boiler and Laundry building was repurposed as the County Morgue and Coroner's Office. In 1952, a small office building was added along Chanate Road and two buildings to serve as a juvenile hall. New Family Practice Center buildings were constructed in 1972; most of these buildings are currently vacant. A modular building was added just south of the Norton Center for Behavioral Health administration in 1989. Some of the other old buildings are currently used for a Wellness Center (operated by Goodwill), Bird Rescue, and Regional Parks' storage. A residential support building was added in 2003. Prehistoric artefacts have been identified in an area on either side of County Farm Road's southern fork on a west-facing slope near Paulin Creek.

Paulin Creek extends through the southern edge of the medical complex, through the 26 acre County Water Agency property which serves as a flood control reservoir, through nine acre Ag Preservation and Open Space property, and flows westward beyond Mendocino Avenue along the southern edge of the County Government Center.

Adjacent Land Use

The County property is generally surrounded by neighborhoods consisting of single family homes. On the south side of Chanate Road, Water Agency property is bounded by the County medical complex properties to the north and single family neighborhoods to the south. The Hidden Valley neighborhood's elementary school is located along Chanate Road about a mile from the County owned properties. A multi-storied senior assisted living complex is located immediately to the west along Chanate Road.

On the north side of Chanate Road, the County parcels are abutted by single family residences to the north, multi-family housing and a low-density office complex to the northwest, and single family residences to the west.

Chanate Road is a major connector road, extending through residential neighborhoods from Mendocino Avenue to Montecito Boulevard, which leads to Calistoga Road. Commercial uses are located on Mendocino Avenue (neighborhood and regional serving) and Montecito Boulevard (neighborhood serving).

Summary of Chanate County Buildings and Occupancies

Approximately 200 Sonoma County staff will occupy about 65,000sf of the Chanate buildings once the new Behavioral Health Crisis Stabilization Unit is opened in southwest Santa Rosa this fall.

North of Chanate Road, 6 parcels totaling 21.08 acres:

Hospital Buildings	160,923 sf, vacant
Health Services Admin/Public Lab	17,916 sf
Chanate Hall (Health Services)	<u>16,630 sf</u> , partially occupied
Total Buildings:	195,469 sf

South of Chanate Road, 8 parcels, totaling 60.5 acres:

Norton Behavioral Health Center	24,261 sf
Norton Annex (BH Admin)	4,260 sf
Health Services Fiscal	12,489 sf, partially occupied
Old Family Practice Center	19,348 sf, vacant
Hospitality House (trailer)	1,920 sf, vacant
Morgue & Coroner's Office	5,700 sf
Bird Rescue Center	n/a
Wellness Center (Goodwill)	7,300 sf
Residential Support (CAP)	1,920 sf
Misc. vacant deteriorated structures	<u>n/a</u>
Total buildings:	77,198 sf

Total North and South square footage 272,667 sf

South of Chanate Road, other County properties:

Sonoma County Water Agency parcel, 26.46 acres, including a flood control reservoir
Sonoma County Ag & Open Space District, two parcels totaling 8.94 acres

General Background Assessment

Preliminary Title Reports provided by First American Title Company identified 16 county-owned parcels at the site. Six parcels are north of Chanate Road: one parcel contains the Department of Health Services Administration building; one parcel contains Chanate Hall; two parcels contain hospital related facilities. The hospital parcels are encumbered by an easement to provide access to the Chanate Medical Center, a privately owned office condominium located west of the hospital parking lot. Three of the parcels are subject to an easement for the benefit of the Sonoma County Flood Control and Water Conservation District.

All of the County of Sonoma parcels on the south side of Chanate Road are encumbered by easements for the benefit of the Sonoma County Water Agency. Sonoma County Water Agency has fee title to one parcel. Sonoma County Open Space District has fee title to two parcels.

A Cultural Resource Survey was prepared by Colin Caskey & Tom Origer for the area comprised of all Chanate Road parcels. A previously identified prehistoric site 95-meters long by 35 meters wide is located on a west facing slope near Paulin Creek on either side of County Farm Road's southern fork (artifacts include approximately 50 obsidian flakes); this area should be avoided by any future development. The County is in communication with the Lytton Rancheria tribe.

Chanate Historical Cemetery west of Norton Behavioral Health Center is also identified as a cultural resource and should be protected from future development. Many of the buildings, including the WPA original 1936 hospital and the 1938 (now) Norton Behavioral Health Center are older than 50 years.

Evaluation of the Former Hospital Buildings

General Services Staff conducted or commissioned a number of studies to thoroughly evaluate the potential of the former hospital buildings to be repurposed for County use as sound assets for future use. Future use as a licensed medical care facility had previously been ruled out due to the geologic faults at the site. The following studies were performed on the Chanate hospital buildings: Seismic Structural Analysis (ZFA), Mechanical Analysis (GHD), Phase 1 Environmental Evaluation and Hazardous Materials Testing (Citadel Environmental), Facility Condition Assessment (VFA), and Decommissioning Study (Kitchell).

Staff has found the cost of retrofitting and renovating the buildings to be very high, approaching the cost of constructing a new building.

Several conditions were found to be especially problematic. The hospital buildings are located where trace faults from two known California seismic faults are converging. The structural condition of the original 1936 wing is inadequate to withstand seismic forces, is deteriorated, and highly at risk; this wing should not be reoccupied. Technically, the other wings could be occupied for uses that fall within the same or lower risk/occupancy categories as the hospital without requiring seismic structural updates for current code compliance. However, structural deficiencies have been noted and the proposed improvements would result in a safer and more resilient building, improving performance during an earthquake by reducing loss-of-life risk and the extent and cost of building repairs. For the County to retain and use these assets, structural upgrade of the buildings is a fundamental public safety consideration.

A central mechanical plant provides hot water to all wings of the hospital and heating/cooling to the 1956 and 1972 wings. The supply lines from the main boiler have failed. In addition, this system was developed for a hospital and is designed to run 24/7 with 100% make-up and exhaust of air, i.e., with no heat or cooling energy recovery from recirculated air. For general office or most other uses, this is highly inefficient and inconsistent with County sustainability goals. Consequently, the system is not suitable for use or modifications for office use, or multiple occupancy types. In addition, the 1936 wing has only individual room heating units and window air conditioning units. The Facilities Ad Hoc Committee considered the cost of upgrading the existing central plant system as well as the alternative of replacing the central plant with new mechanical systems that would allow more flexibility of use of the building. Both options are quite costly, in the range of \$11.6M - \$15.3M.

Attachment 1

Additionally, major structural, mechanical, and tenant improvement work in the building will require abatement of hazardous materials. The full abatement cost of regulated materials is estimated at \$2.7M.

Projected Costs. The cost estimated for capital improvements needed to fully renovate and occupy all wings of the building is estimated to be \$93.6M. If the 1936 wing is demolished as recommended, and the remaining wings renovated (108,000 sf), the estimated cost is \$59.4M. For comparison, the cost to build and occupy a new facility of 100,000 sf is estimated to be \$64.8M.

The estimated cost to retain and renovate only the four story 1972 wing and demolish all the other wings is \$34.2M.

Staff and consultants identified the annual cost the County is likely to incur if it continues to hold and support the vacant facility. This includes insurance, security, minimal utilities to avoid mold growth, and building protection maintenance. The estimated annual cost is \$700,000. The projected cost to demolish the hospital building is \$5.9M, including hazardous materials removal. Thus approximately 8 years of holding this vacant asset would equal the cost of demolition.

Other Chanate Properties

Approximately 200 County staff occupy about 65,000sf in the Chanate non-hospital facilities. In addition, there are several other occupants: Bird Rescue Center, Goodwill (Wellness Center), Community Action Partnership (CAP - residential support unit), and the Historic Cemetery. Other vacant, deteriorating buildings total about 45,000sf. The land south of Chanate Road is noticeably underdeveloped and underutilized.

Property Value

The County-owned Chanate properties are currently zoned Public/Institutional land use. Per Howard Levy Appraisal Group, Inc., if sold on the open market, the most likely buyer would desire a change from the current Public/Institutional land use designation to one that would allow development of primarily residential uses.

With regard to earthquake fault proximity, the properties are located within the California Alquist-Priolo Special Studies Zone, with indications of several fault traces affecting the site, particularly in the area of the hospital building. It has been noted that the City of Santa Rosa prohibits construction of new housing units within 50 feet of a fault trace.

Under the assumptions described above, in September of 2014 Howard Levy Appraisal Group, Inc. provided an appraised value range of \$8.6M - \$10.3M for the County medical complex properties, approximately 82 acres (does not include Water Agency or Ag & Open Space parcels). This value reflects the most probable highest and best use if sold on the open market to a for-profit developer. Without zoning entitlements (retain Public/Institutional zoning), they estimated the value at \$3.6M - \$6.1M. The hospital property itself is valued at zero due to the cost of demolition of the buildings. The hospital buildings are considered an impairment to the property.

Per the appraisal, the property has greater value in its entirety than if individual parcels were repurposed one by one.

Property Repurposing Process

The agency of jurisdiction for County public use of these properties is the County of Sonoma. However, the properties are within the City of Santa Rosa. Therefore, if the property is sold, the City would be the agency of jurisdiction for use permits, rezoning, and project approvals.

In broad terms, repurposing of the property could take several forms:

- a. Negotiate proposals from other agencies and jurisdictions.
- b. Sell outright to highest 'bidder'. Advantages include least involvement of County resources (staff time and money), quickest realization of revenue and elimination of liability. Disadvantages include limited control over future uses.
- c. Repurpose by Developer RFQ/RFP process. This process allows the Board to select the proposal that offers the greatest economic return while meeting the residential, commercial, and/or cultural development needs of the county. Advantages include more control over future use of the property. Repurposing could include an outright sale or a long term lease (up to 99 years). The benefits of a long term land lease include retention of land for potential future need, control over future uses, and potential for ongoing revenue over time. Disadvantages of a long term lease include ongoing liability, reduced up front revenue (but potential long term rent revenue), risk of developer failure or abandonment of buildings and complications with debt holders.

If the County pursues the option of contracting with a developer for use of the property, rather than selling it to the highest bidder, the developer team could be required to include Developer, Urban Designer, Architect/Engineering Team and General Contractor at a minimum. The County could include local participation requirements.

In terms of maximizing value of the property, and retaining some level of guidance of future development by other agencies or the private sector, the County could pursue master planning of the site prior to disposition. The level of specificity of such efforts and the related costs need to be evaluated against the anticipated resultant value enhancement.

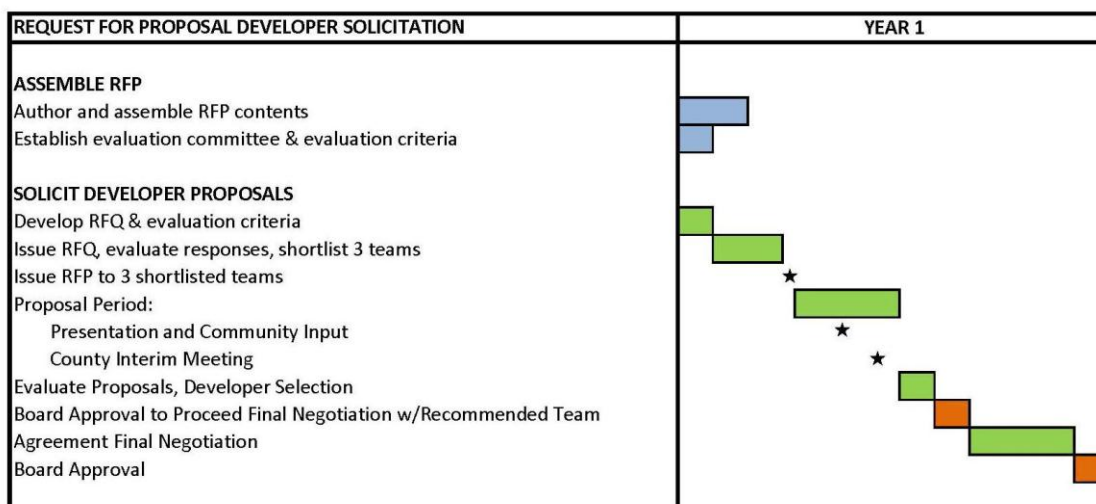
The County as Developer or Joint Developer of Property

The County also has the option of retaining the property and developing it for public purpose, or pursuing a joint venture for development. Further evaluation would be needed regarding the mechanics, legal structure, financial aspects, and pros and cons.

In this process, the County goals (land use/financial/schedule/etc.), site constraints and opportunities, other parameters, and base site and building information are assembled and issued for developer proposals. Typically the first phase is an evaluation of qualifications of the interested developer teams. Those deemed sufficiently or most qualified are asked to submit full proposals. Because responding to an RFP is very costly to developer teams, owners typically shortlist the initial responders to a limited number (often 3) for continued participation in the RFP phase.

Proposals would include site masterplans, breakdown of proposed uses (for example housing types, number of units, types and square footages of ancillary uses, amount and type of open space improvements, parking counts), proposed phasing and schedule, and proposed financial terms/County revenues.

The process could be designed to solicit input from the community and related agencies in the goals and project parameters of the RFQ/RFP, and also in review and comment of preliminary developer proposals (which could then inform the developers' final proposals).



Staff has also explored another approach where the County might seek private sector proposals for solutions to consolidate County services at the Government Center and create private development opportunities in any resulting surplus, allowing the developer to purchase surplus property that results from the consolidation, generating revenue to the County.

Next Steps

County Counsel has reviewed the available statutory options to implement these recommendations in the most efficient manner possible. The two most viable options are to use one of the procedures explained below.

Development of Public Property (Government Code Sections 25515-25515.5). This option allows the County to sell or lease the property (up to 99 years) if the Board finds that this offers the greatest economic return to the County **and** meets the residential, commercial, or cultural development needs of the County. This process was used by the County in 2009 when the Divestiture of the Landfill was considered.

Sale or Lease of Real Property to Highest Bidder (Government Code Section 25521-25535). This option requires that the Board establish, by Resolution, the terms of sale or lease, including minimum price, (sale or rental rate) and other terms. This process is currently being used by the Water Agency for the sale of property on College Avenue.

Staff recommends that the County initiate the process outlined under the Development of Public Property procedures as described above.

Hospital Limited Interim Use

Meanwhile, what happens with the hospital buildings? Due to the nature of and failing condition of the mechanical systems, and significant cost to remedy it to serve new occupants, staff does not recommend that interim use be considered, except on a very limited basis evaluated on a case by case basis with regard for what the building is capable of supporting without significant investment. A few areas of the facility could be used on a 1-2 year interim basis, until the facility is either demolished or transferred to another owner.

Parking: both north and south sides of Chanate Road
 Hospitality House trailer: 1,920sf, south side of Chanate Road
 Perinatal Modular: 2,327 sf (stand-alone HVAC)

Attachment 1

Cath Lab: 8,037sf (stand-alone HVAC but would require tenant improvements)

Occupancy of any other areas would require significant improvements and investment in the buildings. Significant ADA improvements would be required with any new occupancy. Note that the first floor of the 1972 wing is currently being used for swing space for three months by Human Services while the HS Paulin Lobby is being renovated. However, this is possible because HVAC is not needed due to the moderate spring climate this time of the year.

Bibliography

Hospital Property Studies:

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Chanate Hospital Demolition Conceptual Cost Rough Order of Magnitude (ROM), May 5, 2015, prepared by Kitchell
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Chanate Property Studies:

Title Reports CLTA Preliminary Report Form, July 28, 2014, prepared by First American Title Company 400 E Street Santa Rosa, Ca 95404. Property: 3313, 3322, 3325, 3333, and 3410 Chanate Road, Santa Rosa, CA. Order Number 4909-4682149
A Cultural Resources Survey for the Government Center Development – Phase 1A Project Chanate Road, Santa Rosa, Sonoma County, March 23, 2015, prepared by Tom Origer & Associates, Archaeology/Historical Research
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Former County Geotechnical Reports for Chanate Properties (Summarized in Seismic Reports)

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Comprehensive County Facilities Plan, Real Estate and Financial Vision, November 2012, prepared by Gensler
County of Sonoma Administration Center: Site Evaluation and Opportunities Analysis, December 2007, prepared by HOK